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ABC'S "THIS WEEK WITH GEORGE STEPHANOPOULOS"

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SPEAKERS: GEORGE STEPHANOPOULOS, HOST

SEN. KELLY AYOTTE, R-N.H.

GENE SPERLING, DIRECTOR, NATIONAL ECONOMIC COUNCIL

DENNIS RODMAN, FORMER NBA PLAYER

[*] STEPHANOPOULOS: Good morning, and welcome to This Week. Washington fails.

(START VIDEO CLIP)

OBAMA: I should somehow do a Jedi mind meld, and convince them to do what's right.

(END VIDEO CLIP)

(START VIDEO CLIP)

BOEHNER: It's about taking on the spending problem here in Washington.

(END VIDEO CLIP)

STEPHANOPOULOS: The sequester kicks in. Sweeping cuts in spending. How long will they stick? What impact will they have? Answers today from our headliners, including top White House aid Gene Sperling, who tangled this week with legendary reporter, Bob Woodward.

(START VIDEO CLIP)

WOODWARD: It was said very clearly, you will regret doing this.

(END VIDEO CLIP)

STEPHANOPOULOS: Plus our powerhouse roundtable on all the weeks politics. Stunning change for the Catholic church, and in this week's biggest surprise.

(START VIDEO CLIP)

RODMAN: I love him. The guy is awesome.

(END VIDEO CLIP)

STEPHANOPOULOS: Dennis Rodman meets King Jong-Un. No America has spent more time with North Korea's new dictator, and he joins us for his first interview.

ANNOUNCER: From ABC News, This Week with George Stephanopoulos. Reporting from ABC News headquarters, George Stephanopoulos.

STEPHANOPOULOS: You heard that right, in the week's most surreal encounter, one of the world's most notorious basketball players spent quality time with one of the world's most dangerous dictators. And Dennis Rodman is here to share what he learned about Kim Jong-Un in just a bit. But we begin with the budget battles that have crippled the Capitol. President Obama signed the order on Friday to execute those \$85 billion in across the board spending cuts, and with both sides locked into their positions, it looks like those cuts are here to stay.

For more on what that will all mean, we begin today with the president's top economic adviser, Director of the National Economic Council, Gene Sperling. Good morning, Gene. Thanks for joining us. SPERLING: Thank you, George.

STEPHANOPOULOS: It's very clear -- very clear from Speaker Boehner, the leader of the Senate Republicans, Mitch McConnell, that the Republicans are not moving on taxes -- taxes. So does that mean that these cuts are going to be in place for the rest of the year?

SPERLING: You know I certainly hope not, George. These were harsh cuts that were put into place to be so harsh, on defense, and national security, on education on, you know things that matter to children in our country, and most of all to jobs, that -- it was considered to be so harsh, it would force both sides to come back to the table, and negotiate on the type of bipartisan compromise, everyone...

STEPHANOPOULOS: But, that's not happening.

SPERLING: ...knows we need. Well, you know George, it hasn't happened yet, but I will tell you something. This is not a win for Republicans. You know Republicans are supposed to be for stronger national defense. This cuts our military preparedness dramatically. They're supposed to be for border security? These sequester cuts will end up meaning enough reduction in hours that it would be the equivalent of 5,000 border patrol agents being cut.

They're supposed to be for long term entitlement reform? This does not long term entitlement reform. And when I talk to CEO's around the country, they tell me that this is leading them to put projects that would create jobs on hold. They think it's going to hurt their small business suppliers dramatically. So this is not a win for anyone. The only win, if you can call it that, that this gives is the -- those on the Republican side who are willing to let all of this harm be inflicted...

STEPHANOPOULOS: But...

SPERLING: ...just so they can stand by this principle, that there should not be one dime of deficit reduction...

STEPHANOPOULOS: ...but as you know...

(CROSSTALK)

SPERLING: ...from closing loopholes...

(CROSSTALK)

STEPHANOPOULOS: ...the Republican leaders...

(CROSSTALK)

SPERLING: ...closing loopholes, or deductions. That's just a -- an unreasonable position.

STEPHANOPOULOS: As you know, the Republican leaders say that's not the only option. That they say the administration could cushion the blow of these cuts if it wanted to. Here's -- here's Senate Republican leader Mitch McConnell just the other day.

(START VIDEO CLIP)

MCCONNELL: The president is ready to make it bite as hard as possible, all to send a simple message to the public, you want to control Washington spending America? Fine, let me show you how much I can make it hurt.

(END VIDEO CLIP)

STEPHANOPOULOS: Why not take the kind of flexibility the Republicans are offering?

SPERLING: Because I think that as you've heard, independent economists say, from the Chairman of the Federal Reserve, Ben Bernanke, to the independent Congressional Budget Office, there is no way that you can move the -- the deck chairs around in a way that will not cost our economy as CBO projects, 750,000 jobs. When you have those types of harsh spending cuts in such a short, concentrated period of time, it's like saying to somebody, you can cut off three of your fingers, but you can have the flexibility to choose which ones you want to cut off.

If you're cutting \$42 billion from defense, you're going to dramatically hurt operations, and maintenance in our military training. If you have to cut as much as is required on -- on the domestic side, you could eliminate Head Start, the FBI, and the National Science Foundation, and you still would not get there. Now, you know if they want to talk about real flexibility that would allow the president to actually reduce the deficit in a way that didn't hurt jobs, and most importantly, to be able to reduce loopholes, corporate tax expenditures, tax expenditures for the well off, in a way that didn't hurt jobs, that would be one thing.

But what they're saying is, the only way that we can do cuts are in very harsh, devastating ways that would cost 750,000 jobs, and that their flexibility does not include the ability to ask for one dime of revenues...

STEPHANOPOULOS: As you....

SPERLING: ...to lower the deficit from corporate loopholes, even though George, it was only 10 weeks ago that Speaker Boehner said that we could reduce the deficit by up to \$1 trillion from exactly this type of tax reform that closes loopholes, and reduces taxes.

STEPHANOPOULOS: ...as you know, Gene, even the president's allies have accused the administration of hyping the pain caused by these cuts. Here's New York City Mayor Michael Bloomberg.

(START VIDEO CLIP)

BLOOMBERG: There's a lot of posturing. I'm going to lay off my employees today unless you do something. I'm going to -- we're going to close the hospitals down, we're going to put -- take all of the prisoners from jail, and put them on the streets. Spare me, I live in that world. I mean come on, let's get serious here.

(END VIDEO CLIP)

STEPHANOPOULOS: And at least twice this week, the administration got caught exaggerating the impact. The president claimed that Capitol janitors are going to get a pay cut. The architect of the Capitol denied that. He said

it was premature at best. Education Secretary Arnie Duncan -- Duncan, couldn't back up a similar claim that he made about teachers getting pink slips. So how do you respond to critics who say the administration is engaging in scare tactics?

SPERLING: Well, you know first of all you know those Capitol janitors will not get as much overtime. I'm sure they think less pay that they're taking home, does hurt. But I think the real issue is that, this is as the president said, a slow grind. When this sequester goes off, yes it's not going to hurt as much on day one. But again every independent economist agrees, it is going to cost our economy 750,000 jobs just as our economy has a chance to take off.

George, you could bring CEO after CEO on your show who would tell you that this type of uncertainty, and dysfunction in Washington is forcing them to hold back projects that they would be doing that would be creating jobs. They're worried it's going to hurt their small business suppliers. And as -- and my belief is that as this pain starts to gradually spread to communities affected by military spending, to children that need mental health services, to people who care about our border security, I believe that more Republican colleagues who are concerned about this harm to their constituents, will choose bipartisan compromise on revenue raising tax reform with serious entitlement reform.

They'll choose this bipartisan compromise over, what is an ideological position that every single penny of deficit reduction going forward must be on the middle-class, our seniors, our children, and that there can't be one penny that comes from closing loopholes, or tax expenditures. That is not a position that the public supports. It's not the kind of bipartisan compromise we need to move our country forward.

STEPHANOPOULOS: Before you go, I have to ask you about this strange sparring match you had with Bob Woodward of the Washington Post this week. I guess it began with an email exchange that you had about an article he wrote last week in the Washington Post, saying the president was moving the goal post on the sequester. I guess you had a heated conversation, and in email you apologized for it. And then went on to add this, you say, "As a friend, I think you'll regret staking out that claim." Woodward seemed to take it as a threat, listen?

(START VIDEO CLIP)

WOODWARD: It makes me very uncomfortable to have the White House telling reporters, you're going to regret doing something that you believe in.

(END VIDEO CLIP) STEPHANOPOULOS: I read all of the emails. They seem pretty civil on all sides. Do you have any idea what made Woodward so uncomfortable? And have you all spoken about it since and cleared this all up?

SPERLING: You know George, I've known Bob Woodward for 20 years. We've had a very friendly, and respectful relationship. I think virtually everybody who has looked at my email to him, and his reply to me, though those emails reflected that degree of respect, and -- and politeness. And the emails were fundamentally substantive. I was -- I was arguing a case as to why I believe the president asking for balance is consistent with where things have been for the last several years.

So all I can say, George is that Bob Woodward is -- is a legend. I hope that him and I can put this behind us, and I think most importantly...

STEPHANOPOULOS: So you haven't talked about it yet?

SPERLING: You know I haven't talked to him yet, but I hope to. I -- I hope we can put it behind us. Because I think we both care about the policy issues we were debating, and I think we both think that that's where the focus of our -- our national debate should be, not on -- not on our email exchange.

STEPHANOPOULOS: Gene Sperling, thanks for your time this morning.

SPERLING: Thank you, George.

STEPHANOPOULOS: And, let's get a Republican point of view, now from New Hampshire, Senator Kelly Ayotte. Thanks for joining us this morning Senator. You heard...

AYOTTE: Good morning, George.

STEPHANOPOULOS: Good morning. You heard Gene Sperling there said, this is not a win for Republicans. Do you agree with him on his assessment on how much damage these cuts are going to do?

AYOTTE: Well George, I serve on the Senate Armed Services Committee. I've listened to our military commanders for the last year. I also traveled around the country with Senators McCain, and Graham, and so I am really concerned about the impact on our national security. We've already heard on cuts on training for our active duty troops. Also flight hours for the -- the combat fighter pilots.

AYOTTE: So yes, there's some real concern about undermining our national security. But I want to step back for a minute because I actually think that what the Woodward exchange with Mr. Sperling demonstrates is that both sides are rewriting history here to some extent.

You have the president out blaming Republicans when the idea came from the White House, and now he's trying to write into -- tax increases into the plan, when it wasn't ever in the plan, and...

STEPHANOPOULOS: But Republicans...

(CROSSTALK)

AYOTTE: (Inaudible) on the Republican end.

STEPHANOPOULOS: Republicans were...

(CROSSTALK)

AYOTTE: Right. Exactly.

(CROSSTALK)

AYOTTE: That's why I say on the Republican end, the enforcement mechanism was one where we left 50 percent of spending off the table so that defense takes a disproportionate cut, which where's the party of Ronald Reagan on this? So I think it's time -- you know Mr. Sperling talked about this being a choice of increasing taxes. We just increased taxes, the Congress did in January at the president's request.

How about alternative spending cuts? In fact this week I offered a proposal to do that. So why can't both sides work together to do this in a more sensible way?

STEPHANOPOULOS: What are the spending cuts you think would work to achieve these same kinds of savings?

AYOTTE: I think there are many. First of all, the House obviously had a proposal. They did last year, but there are a whole host of reforms. We left 50 percent of spending on the table, so I had some ideas on -- you can continue a pay freeze for federal employees. You can reform federal retirement, and Congress' retirement. You can do things to reform some of the problems that we've had with food stamps, that in fact are similar to what we passed in the Senate farm bill, so not a new idea.

There's a whole host of ideas of how we could cut spending in a more responsible way that doesn't undermine our national security. And that seems to be being left out of the discussion on both sides here.

STEPHANOPOULOS: You also heard Gene Sperling say that he believes the pressure is going to build on a lot of Republicans to come to the table on new revenues. And -- and then one of your colleagues already, Senator Lindsay Graham of South Carolina, has said he's open to that. Take a listen?

(START VIDEO CLIP)

GRAHAM: To me this is a bipartisan problem. This is the chance to do the big deal. I am willing to raise revenue. I'm willing to raise \$600 billion in new revenue if my Democratic friends would be willing to reform entitlements and we can fix sequestration together.

(END VIDEO CLIP)

STEPHANOPOULOS: Why not go for the big deal at this point? You mentioned the president's position earlier. His position always was \$2.00 or \$3.00 in spending cuts for every \$1.00 in new revenue. Right now you're at -- you're going a rate of \$4.00 in spending cuts for every \$1.00 in new revenue. Are you prepared to sit down, and talk about a much bigger deal?

AYOTTE: Well, George what the president is now -- what he pushed recently in the Senate this week, the \$85 billion small deal with tax increases. That's not going to work. If we're going to increase revenue again, it's got to go to the debt with real entitlement reform, and real tax reform when you actually lower rates. And I think that none of that's been in this discussion, so absolutely, I think we need to do a big agreement for the country.

Because we haven't dealt with the fundamental drivers of our debt, the entitlement programs. And the tax reform has to be done uniformly, at a lower rate.

STEPHANOPOULOS: So -- so -- but are you willing -- let me just be clear here, you're willing if -- if -- if tax reform goes forward, and if the president is willing to talk about entitlement reform, in Medicare, and Medicaid, and other entitlement programs, you're saying you're willing to have an agreement that actually raises revenue? Or does it have to be revenue neutral tax reform?

AYOTTE: I am willing to say, if we take the form of lowering rates so that we can focus on economic growth, and then we take a portion of that, and apply it to the debt with real entitlement reform, but it has to go to the debt. I'm not going to agree to any more tax increases that are going to go to increase more government. I mean here we are, that's what the latest proposal is from the president, this sequester has to be dealt with within existing spending, and alternative cuts. And we need real entitlement reform, and real tax reform. That's what we need for the country if we're going to drive down our debt, and also be focused on economic growth.

STEPHANOPOULOS: That might be a little bit of an opening that can be seized on later, although it may not happen any time soon. But Senator Ayotte, thank you very much for your time this morning.

AYOTTE: Thanks George, appreciate it.

STEPHANOPOULOS: And coming up, our powerhouse roundtable weighs in on all of the weeks politics. But first, Dennis Rodman. No American has spent more time with the world's most mysterious dictator. Fresh from North Korea, his first interview. He is right here in just 90 seconds.

(COMMERCIAL BREAK)

STEPHANOPOULOS: And we are back now with this week's weirdest encounter. It's top of the news in North Korea, the first American to meet Kim Jong-Un. Not John Kerry, or even Jimmy Carter. Nope, it is Dennis Rodman, AKA the Worm. They watch basketball. Kim is a big fan, but that was just the beginning. Some ice skating too, an aquarium visit, and then a long dinner and lots of drinks with one of the world's most mysterious and dangerous men.

(START VIDEO CLIP)

RODMAN: I love him. The guy is awesome. It was amazing how he was so honest.

(END VIDEO CLIP)

STEPHANOPOULOS: That about a dictator who presides over prison camps, allows millions to starve, and has threatened to destroy the United States. Amazingly, Rodman now has more firsthand impressions of Kim, than any other American.

(START VIDEO CLIP)

GANYARD: There is nobody at the CIA who could tell you more personally about Kim Jong-Un, than Dennis Rodman, and that in itself is scary.

(END VIDEO CLIP)

STEPHANOPOULOS: And, Dennis Rodman joins us right now.

(LAUGHTER)

STEPHANOPOULOS: I guess you don't find it scary?

RODMAN: No, it's not scary. It's amazing, and -- wow man, you know what? It was such a great experience. Me and my, I call him my son Alvin Keyes (ph), we went there man, and it wasn't supposed to be like that.

(CROSSTALK)

RODMAN: It was supposed to be like, just meet the guy and just have a good time.

STEPHANOPOULOS: And it turned into such an event.

RODMAN: Right.

STEPHANOPOULOS: And I have to ask you first, when you said you love Kim, and think he's awesome. Were you aware of his threats to destroy the United States? And -- and his regime's horrendous record on human rights?

RODMAN: Well, the -- the one thing about that, you know I -- I didn't look at all of that there. I understand what he's doing. I don't condone that. I hate the fact that he's doing that. But the fact is, you know what? That's a

human being. He let his guards down, he did one thing to me, he's been a friend. I didn't talk about that. Understand now, I understand that...

STEPHANOPOULOS: But do you have a responsibility to ask him about it, so you don't be perceived as sort of propping up his regime? His cult of personality?

RODMAN: The difference though I think, when you grow up in that environment, especially when your grandpa, and your -- and your father -- now one thing, the kid is only 28-years-old...

STEPHANOPOULOS: You called them great leaders. Do you really believe that?

RODMAN: No, what I saw in that country -- I saw in that country, and I saw people respect him and his family, that's what I mean about that...

(CROSSTALK)

STEPHANOPOULOS: Weren't they forced to?

RODMAN: Huh?

STEPHANOPOULOS: Weren't they forced to?

RODMAN: Well, I say no. Because I think he's going to change something because he has a different view. Because I sat with him for two days. And the one thing, he asked me to give Obama something to say and do one thing. He wants Obama to do one thing, call him.

STEPHANOPOULOS: He wants a call from President Obama?

RODMAN: That's right. He told me that. He said, "If you can Dennis, I don't want to do war. I don't want to do war", he said that to me.

STEPHANOPOULOS: Did he say, "Why don't you pick up the phone and call President Obama?"

RODMAN: No, you know it's a different story, it's a different story because guess what? The kid is only 28-years-old -- 28. He's not his dad. His not his grandfather. He's 28-years-old...

STEPHANOPOULOS: So, you think he's different? What did he tell you about America? And what did you learn about him?

RODMAN: Guess what? The one thing that I said to him was -- we talked about did you see the -- whatever. He loves basketball. And I said the same thing, I said Obama loves basketball. Let's start there. Let's start there. If you see the quotes in the paper says that. He says that by his voice. Both of you guys love basketball so much.

STEPHANOPOULOS: But that's one tiny bit of common ground. Did you get any sense from him that he was looking to change the relationship with the United States?

RODMAN: The one thing about him -- the one thing I -- I noticed about him, he's very humble. He's very humble, man. As -- as a kid he's very humble, and he's very -- he's very strong as a man, but he's -- guess what? He doesn't want war. That's one thing he don't want.

STEPHANOPOULOS: He's said in the past that he would destroy the United States.

RODMAN: Well, I -- I just think that -- think that's coming from his father. I think as a young man -- you know he don't want anything...

STEPHANOPOULOS: What else does he know about the United States and President Obama from what you could tell?

RODMAN: Well I can tell by him, he does one thing, he -- he loves -- he loves power, he loves control.

RODMAN: Because others, you know, dad and stuff like that, but he just -- he's a great guy. He's just a great guy. If you sit down and talk to him, you know, perception is perceiving how things work.

STEPHANOPOULOS: A great guy who puts 200,000 people in prison camps?

RODMAN: Well, you know, guess what, it's amazing how we do the same thing here.

STEPHANOPOULOS: We have prison camps here in the United States?

RODMAN: We don't have prison camps, guess what, this is all politics, right? This is all politics, right? And the one thing, he don't want to do that. He don't want to do that. But you know what, it's more like it -- I'm not like a diplomat, I don't want to do that...

STEPHANOPOULOS: But it sounds like you're apologizing for him.

RODMAN: No, I'm not apologizing for him. I think the fact that, you know, he's a good guy to me. Guess what, he's my friend. Guess what, I don't condone what he does, but as far as a person to person, he's my friend. But as far as what he does, you deal with it.

STEPHANOPOULOS: Someone who hypothetically is a murderer who is your friend is still a murderer.

RODMAN: Well, you know what, seriously, you know what, guess what, guess what, what I did, what I did was history, was history and guess what, it's just like we do over here in America, right?

It's amazing that we have presidents over here do the same thing, right? It's amazing that Bill Clinton could do one thing and have sex with his secretary and do one thing and really get away with it and still be powerful, not...

(CROSSTALK)

STEPHANOPOULOS: How can you compare that to prison camps?

RODMAN: No, prison camp is one thing. We don't need to do one thing, object that. We don't to do it, object that. But guess what, we do one thing, like a friend to friend, right? It's a friend to friend. He's a friend to me. That's about it.

STEPHANOPOULOS: So you're going to go back?

RODMAN: Yes, I am. I'm going to go back and do one thing and find out more what's really going on. Find out more.

STEPHANOPOULOS: OK. Next time you go back you should bring this report from Human Rights Watch with you and maybe ask him questions about that as well. You might learn a lot more and it might press him as well.

But thank you for coming on this morning and sharing your impressions.

RODMAN: But either way, either way, guess what though, guess what, (INAUDIBLE) report.

STEPHANOPOULOS: OK.

RODMAN: Guess what, guess what, don't hate me, don't hate me, guess what, don't hate me, guess what, don't hate me.

STEPHANOPOULOS: I want to get more on this now from Shane Smith, the co-founder of Vice Media who traveled with Dennis Rodman to North Korea.

So, Shane, I mean, I know you had some hope for basketball diplomacy. You've been to North Korea before. Are you concerned at all that this trip may end up propping up Kim Jong-un and giving him a propaganda coup?

SHANE SMITH, CO-FOUNDER, VICE MEDIA: I don't think so. I mean, they -- it's definitely not going to do that for the rest of the world. People know what's going on. And they know our position. Just to be clear, I didn't go with Dennis on this trip. I've been twice before, I'm not allowed to go anymore. I've made two -- three documentaries on North Korea and that's why I'm not allowed to go.

What happens within North Korea, they can say whatever they want on their state television anyway. They're going to say, you know, whatever they want and they've done so in the past. I don't think it's a propaganda coup internationally.

I think it's a crazy story, but, you know, within North Korea is it a propaganda coup? You know, the New York Philharmonic went there. Was this a propaganda coup? I don't think so.

STEPHANOPOULOS: Any hope for a new relationship, you believe?

SMITH: That's one thing I will say is that, you know, look, there was a love of basketball, you know, sort of reminiscent of "Ping-Pong Diplomacy." There have been, you know, very few instances of dialogue, and dialogue I believe is always good.

And obviously if Kim Jong-un is interested in America, if he's interested in basketball, if he made sort of, you know, allusions to the fact that, you know, he wished that there was closer relations between the two countries, I think that's a good thing. Even if it's, you know, political grandstanding, at least that could be the beginning of a dialogue that, you know, hasn't worked well in the past between America and North Korea.

STEPHANOPOULOS: Shane Smith, Dennis Rodman, thank you both very much.

STEPHANOPOULOS: Our powerhouse roundtable is next. James Carville squares off with the Wall Street Journal's Paul Gigot. Cokie Roberts on the Catholic church in crisis, plus Matt Dowd and Mia Love debate the civil war in Republican ranks.

(COMMERCIAL BREAK)

STEPHANOPOULOS: Roundtable is up next, but first Steven Colbert's not so modest proposal for Washington dysfunction.

(START VIDEO CLIP)

COLBERT: To prevent the next crisis, we just need a worst scenario. I say we suspend a monkey above the floor of Congress, no an Ebola Monkey. Then every Senator and congressperson gets smeared with banana meat. If they do not reach a budget deal by the deadlines, the doors to Congress are locked, the rope is cut, and it is meal time in the monkey house.

(LAUGHTER)

ANNOUNCER: This Week with George Stephanopoulos, brought by you by Xerox.

(COMMERCIAL BREAK)

(START VIDEO CLIP)

OBAMA: This one singular act of disobedience launched a movement. With the simplest of gestures, she helped change America, and change the world.

(END VIDEO CLIP)

BOEHNER: This statute speaks for itself, and today we speak for a nation committed to remembering, and more importantly emulating Rosa Parks. It brings to mind Lady Liberty herself. The promise of America clear for all to see.

(END VIDEO CLIP)

STEPHANOPOULOS: A rare bipartisan moment in the Capital this week, the unveiling of the Rosa Parks statue. We're going to talk about all the weeks politics now on our roundtable. I'm joined by ABC's Cokie Roberts, the Republican Mayor of Saratoga Springs Utah, Mia Love, thanks for coming in this morning. Matthew Dowd from ABC as well, Paul Gigot of the Wall Street Journal and James Carville, Democratic Strategist for too many candidates to name.

(LAUGHTER)

I can safely say that none of you ever thought you'd be following Dennis Rodman on a roundtable.

COKIE ROBERTS, ABC NEWS: I've never seen anybody dressed like that in the studio either.

STEPHANOPOULOS: May be the last time. But let's talk about what happened this week in Washington. You know Cokie it's, when this sequester, the across the board spending cuts was devised, it was supposed to pack such a powerful punch it would never happen. It seemed to be accepted this week with an air of resignation.

ROBERTS: And more of a whimper than a bang. And I think that's something of a problem for the president. Which he indicated in his press conference where he said it's not going to be Armageddon. Well up until then it was Armageddon. And the administration saying, you know, terrible things are going to happen and children won't be in school.

And Arnie Duncan, the Secretary of Education, saying teachers are getting pink slips. Which the "Washington Post" says is just a straight lie, four pinnochios on the lie test. So you know, they really oversold it I think. And now we're going to have to see--

STEPHANOPOULOS: Oversold or premature?

(CROSSTALK)

JAMES CARVILLE, DEMOCRATIC STRATEGIST: Well first thing is, I'm going to do something I don't normally do. I'm going to give Mitt Romney and the Republicans some credit. They told the truth in the last election. They said if you reelect Obama we're going to have European-style policies in the United States. And that's just what we're getting. European-style austerity. The thing that has brought Britain to its knees three times. The thing that has brought Spain and Italy both to its knees. We are copying the very policies that are failing.

Now is it Armageddon? Macroeconomic advisers Goldman Sachs say half a point off of GDP. I don't know if that's Armageddon but that's a lot when you have tepid GDP.

(CROSSTALK)

750,000 jobs lost. If you're one of those 750,000 people, that's Armageddon.

PAUL GIGOT, EDITORIAL PAGE EDITOR, WALL STREET JOURNAL: Were those the same economists who said that if you spent \$830 billion on the stimulus you'd get unemployment down below 6 percent?

CARVILLE: That was macro and Goldman.

GIGOT: That's the same economists.

STEPHANOPOULOS: But how about the point, that even you know, Republicans have looked and say, what might have been smarter is to lock in long-term deficit reduction but don't take money out of the economy.

GIGOT: Well sure. Everybody knows that most of the spending that you have to fix is in the entitlement section. There's no question about it. This is not a smart way (to do it). On the other hand, it at least shows that we can cut some spending. It's at least some spending that the President actually has been saying he supports right?

This is part of his \$2.5 trillion in spending cuts. So this is something that I think the President could make it less onerous if he would say, take flexibility the Republicans are offering him. He could do that. But he's insisting on using this as a club to get them to agree to another tax increase.

ROBERTS: And he thought it would work.

MATTHEW DOWD, ABC NEWS: To me this is really not about the sequester, this is about a leadership problem. This is a huge leadership problem, I think on both sides of the aisle. And I think both sides are completely unwilling to tell the American public the truth.

I think the Democrats are unwilling to actually tell the American public that we can not fix this unless we deal with entitlements in a real, substantive way. And Republicans unwilling to be truthful to the American public -

STEPHANOPOULOS: Hasn't the president been willing to do that in his negotiations?

DOWD: I think the president speaks loudly and then he says these things, and then never does anything. He never has a meeting. He shows up, he calls a meeting two hours before the sequester is about to expire. I don't think the President has actually reached out and try to do this. But I also don't think they've been receptive from the Republicans either. Republicans are unwilling to say there's waste in the Defense budget and we need to make cuts there.

ROBERTS: I think -

STEPHANOPOULOS: You're actually going to implement budgets on the ground and I want you to weigh in. But also have you, do you sense you're going to feel this in your town?

MIA LOVE, MAYOR, SARATOGA SPRINGS, UTAH: No. We're not going to feel this at all. This is why I advocate for being independent and not being so subjective to federal funding. Or not being dependent on federal funding.

We're going to be absolutely fine. We do not, we're not, our budgets aren't based on how much money comes in from federal government. So as a city, we're going to be fine. I think that you're going to find most states, and most cities that are self-sufficient, are going to do just, are going to do fine.

One of the things that I think is really important here, I think this is not about a right left issue, because they're the ones, both sides got us into this mess. This is a showdown between Washington and the American people. And watching this ping pong game.

ROBERTS: That's a really good point. I mean, where I live, in the Washington suburbs, people will be affected. But the fact is that people are, they see these two men going out, after each other and basically say, just fix it. Stop doing these Washington games.

CARVILLE: I'm sorry but -- am I pronouncing the name correctly?

LOVE: Mia.

CARVILLE: This is having a very adverse effect on the United States military. This is a Republican Senator from New Hampshire. You're delaying ship maintenance, you're cutting training missions down. You're doing all off these things. And yes, if you don't do ship maintenance this year, and you do it next year, when do you start feeling it? You start feeling it at some point. She wants to change it. She saying the same thing Senator McCain was saying. Again, we don't have a half a point of GDP to lose. And the same people are saying this is not going to hurt, are the same people that said there were weapons of mass demonstration, that it would be a cakewalk, that housing shouldn't bring the economy down, and inflation (ph) going up, that inflation was around the corner.

DOWD: I think the problem is that somebody needs to tell the American public, in a broad way, there is going to be pain. If we care about the budget, if we care about the fiscal mess, either we have to make substantial cuts, or we have to raise taxes on the middle class. You can't do it without either one of those.

CARVILLE: What I would say is this. There is pain out there. The middle class is in pain. Incomes are down, the idea that there's no pain in this country, there's been pain in this country for a long time.

GIGOT: And the tax increase is not going to help the economy. We just had, two months ago, the biggest tax increase in 20 years. This is the problem. The president is insisting that Republicans raise taxes. And that is not, they can't do that politically, and they're not going to do it. We're going to have a stalemate until he takes it off the table.

STEPHANOPOULOS: The stalemate is, I think you're right that the stalemate is going to be in place. But is the White House correct that overtime, and it clearly hasn't happened yet, but over time the pressure is going to build because these cuts are going to start to kick in.

GIGOT: There will be some pressure built up, in certain sections of the economy. Certainly where the government has expanded the most. Certainly in some parts of the country where defense matters. There will. There's no

question. This is not the most intelligent way to do it. But I don't think it's Armageddon. The President oversold it as Cokie suggested. And now he's got a credibility problem and it's going to hurt him for the next few months.

LOVE: The credibility problem doesn't stop there. Yes, there is pain. There's a lot of pain. I see it out there. I mean I've got family members that live in inner cities. And I can tell you right now, that this President's doing nothing to eliminate those pains.

STEPHANOPOULOS: You both talk about a credibility problem, but Cokie Roberts, our own polling shows that right now at least, the president's approval ratings on handling spending, on handling this issue, far outpace the republicans.

ROBERTS: Right. Absolutely. Our polling shows it and so does everybody else's. So he's got the strong hand here. And he's obviously using it.

The real, what was somewhat encouraging in Senator Ayotte's interview, was the idea of coming to the grand bargain.

STEPHANOPOULOS: I heard an opening there as well.

ROBERTS: That's the only, it's the only way you can do it. The president did say in his press conference the other day, that the big problem in spending is health care. Now we all know that, but for him to say it, counts. So if he, and he said, I'm willing to take on my own party on these entitlement issues.

If that's true, and then the Republicans are willing to take on their own party on taxes you probably can get something.

DOWD: There's just no winners in this. I mean there's no winners. There's somebody that loses less. If you look at the polling, the President loses less. But he doesn't win in this.

(CROSSTALK)

Everybody gets mud on them. I think the thing, the interesting thing to pay attention to is the markets, which is a telling sign, which is the markets have not changed. They continue to rise. What they basically decided is, dysfunction in Washington, inability to do anything, is now standard, and so therefore we're going to discount everything going on in Washington.

STEPHANOPOULOS: Well not only standard, but maybe it's being done in the wrong way. But the amount of deficit reduction that most economists said is about what we should do over the next 10 years, about \$4 trillion -

ROBERTS: It's happening.

STEPHANOPOULOS: Is actually happening.

CARVILLE: We've had three years of (inaudible) to GDP, the best three years we've had since World War II. We've had the best three years on leveling of healthcare costs that we've had in the last 40 years. I mean there are things that are happening out there.

The last thing that we need right now is some kind of austerity. This economy is nowhere near where it is, we're going to do what they in Britain, what they did to the Spaniards--

(CROSSTALK)

CARVILLE: Why did Senator Ayotte said it's hurting the military?

DOWD: Because the Republicans are unwilling to say the military has waste in it and it's unwilling to be cut. The military should be cut.

ROBERTS: But again it's not being going in a smart way.

CARVILLE: But training missions and maintenance, that's not smart cuts.

STEPHANOPOULOS: I want to move onto another issue. We had a big development this week in gay marriage. Supreme Court is going to hear the case on Proposition 8 outlawing gay marriage in California. The president and the administration weighed in.

(BEGIN VIDEO CLIP)

OBAMA: "What we've said is that same sex couples are a group, a class, that deserves heightened scrutiny. That the Supreme Court needs to ask the state why it's doing it. And if the state doesn't have a good reason, it should be struck down. If I were on the court, that'd probably be the view that I'd put forward. But I'm not a judge, I'm the President."

(END VIDEO CLIP)

STEPHANOPOULOS: Now the brief didn't go quite that far. The team, the presidency did not argue that married (inaudible) gays and lesbian. But Paul Gigot, one of the other big developments this week, you also saw top Republicans, dozens of top Republicans weighing in with "friend of the court" (inaudible) as well in support of gay marriage.

GIGOT: Not elected officials yet. These are (inaudible). I think what you're seeing is that on gay marriage, this is used to be an issue. Up until a year ago the President was against gay marriage. It divided Democrats. And now you're seeing, I think, after the results of this last election, where young people really moved to the Democrats substantially, in part on some of these cultural issues. You're going to see this issue begin to divide Republicans more. And I think that depending on what the Court says, you're going to see more Republicans, I think instead of saying some did, we need a Constitutional amendment banning gay marriage, they're going to start to say, let's have the states decide this.

STEPHANOPOULOS: Are you saying perhaps some Republicans may want the Court to get them off the hook?

GIGOT: Well I don't think they want to the Court to say that gay marriage is a Constitutional Right. I think they might be happy if the Court said, you know, the Defense of Marriage Act, signed by Bill Clinton, is unconstitutional. Because it imposes a federal solution on the states. And just let's let New York do it wants.

STEPHANOPOULOS: Is that good enough for you?

LOVE: Yeah I think that the federal government has its hands full with the fiscal, the fiscal issues. And so either way, I tend to take it at a different angle at this. I know what I believe in my home, and I certainly don't want the federal government defining anything for me. I think that we should, I take the approach that we should leave it to the states.

DOWD: The march of history is already moving and Republicans know if they stand in the way on this, this is just

like civil rights, women's rights. We're now at the point, this is an amazing, I think, thing that's happened in a short time period.

It used to be, if you were talking about social issues like this, you were losing as a Democrat if you were talking about it. Now if you're talking about social issues like this, you're losing as a Republican. History is now moving. This issue is done. Republicans have to come face to face with the idea, this issue is over.

ROBERTS: I must say I am, it is mindboggling how fast it moved. And public opinion really turned very, very quickly on this. And you really have to give credit to very courageous people in the gay community who came forward and said, you're talking about me. I'm your brother, I'm your friend, I'm your sister. And it really did change and young people are -

CARVILLE: I think our colleague last November said it best, George Will, proposition, this thing is literally dying off.

ROBERTS: George always says that for young people being gay is about as interesting as being left handed.

STEPHANOPOULOS: Only one issue that's dividing Republicans right now. You saw this with the Sea Pack (inaudible) Committee. Congress did not invite Chris Christy, one of the Republican leaders in the country right now, Governor of New Jersey. Here was his response.

"They don't want to invite me, that's their call. It's their, you know, it's their organization, it's their business. And they get to decide who they want to have come and not come. It's not like I'm lacking for invitations to speak both here and around the country."

STEPHANOPOULOS: And he's loving his 74 percent approval rating right now. But James this is only one manifestation of it. You've also got Karl Rove's group on the one hand -

CARVILLE: Right. STEPHANOPOULOS: Trying to support candidates who, defend them against primary challenges from Tea Party candidates. And you've got the Club for Growth targeting what they call Republicans in name only.

CARVILLE: Yeah, (inaudible) we've lost elections before. Democrats have. Republicans have before. I think this one is, somehow or another, has been particularly hard for the Republicans. And they're like really mad at each other right now. To me in an amusing way, if I were a Republican, an almost unhealthy way. I mean they're really lashing out at each other and blaming back and forth.

The (inaudible) was kind of my idea for a significant story. They're really going after, they're naming the people they're going after right now. Which is of course going to have a chilling effect on other Republicans who think that they may be (inaudible).

STEPHANOPOULOS: Any way to stop this Paul Gigot?

GIGOT: I would welcome it. I think we need a big debate. If I were CPAC I would have invited Christy and let him say what he wanted on guns or anything else. And if you disagreed with him, boo him or what have you. But this is time the Republican party needs to have a debate. And a pretty raucous debate. And I disagree with James, I don't think it's any meaner than the Democrats. I remember after 1988 and they lost the third election in a row. So you know, the Republicans need to have this out. They need to sort it out, they need to debate.

Don't blackball any candidates or any Republicans, come on in! Let's mix it up.

DOWD: CPAC, CPAC to me has totally diminished its credibility as an organization. When you basically, Chris Christy is a national leader, and their explanation about why, the next day about why -

STEPHANOPOULOS: He didn't have a good year.

DOWD: It's like an All Star Game, they said he didn't have a good year. And they invite Sarah Palin who wasn't competent enough to keep a Fox News contract? But she's invited to a CPAC meeting? I mean to me, they basically, many people, Karl and many people, decided that the voters out there don't know what they're doing. That the votes who like Chris Christy, and the votes who like other candidates, they're really mixed up and we're going to tell them what the truth is. And whatever that's a strategy on either side, when you're trying to tell the voters they're wrong, it's a bad move.

LOVE: I'm going to say, this is probably where the debate comes in a little bit. I am going to say this, CPAC is an independent, they're their organization. They can go in and ask whoever they want to. I'm sure Chris Christy is not hurting for speaking events. I mean listen to the man. I've met the man. I think he's a great leader. But he's (inaudible) loyal to New Jersey, and follows the things that New Jersey wants him to follow. And that might not fall in line with what CPAC wants.

STEPHANOPOULOS: Doesn't the Republican party have to expand it's reach in the Northeast in order to be credible on a national level?

LOVE: Look, I think we need to have a debate. I don't like the fact that Republicans are eating each other. If you think about this, Democrats tend to, tend to stick together based on one issue. And we tend to divide based on many different issues.

(CROSSTALK)

LOVE: So we have to have a debate. And healthy debate is good. And we have to know that we're not going to agree on everything.

ROBERTS: But Mia, the Republicans, for Republicans to have lost senate seats in the last election was political malpractice. Everything was in place for them to gain senate seats. And the reason they lost senate seats was because of their candidates. And the reason the candidates were a problem is they were too "out there" for a statewide election.

(CROSSTALK)

GIGOT: That's true in some places, you're right, Missouri. But it wasn't true in North Dakota and Montana where they had Main Street candidates who were just bad candidates.

LOVE: Right.

CARVILLE: Any day that you have more Sarah Palin and less Chris Christy, is a good day for James Carville.

(LAUGHTER)

Me, I'm just going to sit back and enjoy the hell out of Washington.

STEPHANOPOULOS: I want to move on, the other big story this week, we all saw it in Rome. I was fortunate

enough to be in Rome to watch Pope Benedict retire. Cokie you were there as me as well. Remarkable pageantry in his final hours. But it does now come at a time after this remarkably bold move in retiring, where the Catholic Church is going to have to make a lot of big decisions going forward.

ROBERTS: And they're at sea. It was striking to me, when you and I were talking with Cardinal Wuerl of Washington, how little they know about what they're going to do next. And how, I mean, they know formally that they're going to go into a meeting, and then they're going to talk.

STEPHANOPOULOS: Because everything here is new.

ROBERTS: Is brand new.

STEPHANOPOULOS: There hasn't been a resignation in 600 years.

ROBERTS: And they, and they also, more than half of them have never been in a conclave where you elect a pope. And there's no frontrunner. You know, with the last election, we all knew Joseph Ratzinger and so did they. But no, there's nobody like that now. And with the scandals that are there. The first thing they have to do is make absolutely sure in every way, that whomever they pick is spotless.

STEPHANOPOULOS: (inaudible)

ROBERTS: And they don't know how to do that. They don't know to. I mean what are they going to do? Call the head of the Knights of Columbus? You know they don't know how to do it.

DOWD: To me this is like one of the crucial moments in the Church's history right now. If you look at what's happened, this huge scandal with pedophiles in Church. It has gone through every Diocese in the country. And you're stacked here with Catholics. I'm Catholic, I was an altar boy, I went to Catholic university, all of that.

I think we're at that moment in time where they have to make a decision. Actually similar to the Republican party in the same exact thing. They can either retrench and become a minority institution, or they can expand. Youth are leaving the Church. Minorities in the developed world are leaving the Church. There's no role, women don't feel a real role in the Church at this time and it's dominated by mostly older, white men.

STEPHANOPOULOS: A letter from E.J. Dionne, a fanciful kind of proposal, they should pick a nun for pope.

DOWD: I think they actually need to go back to a church of the heart as opposed to a church of the head. And that's a problem.

CARVILLE: You know I'm a Cradle Catholic, I pull for the Church. But I don't deny the problems they have. I'm just praying that if the Holy Spirit ever does intervene that he comes down-

ROBERTS: She.

CARVILLE: Or she, my daughter will correct me also.

(LAUGHTER)

CARVILLE: And we go wow! We got this guy's really a humble, neat guy that people can look up to and can make some of the necessary changes. They're not going to change doctrine, but they certainly change what they emphasis. I'm just hoping and praying that we get a good -

LOVE: I think it's great actually that's here a pope that holds a very big position in the Catholic Church and says, I am unhealthy, I can no longer do this any longer. And actually says, you know, I'm going to step down.

You know I'm going to be really interested in what happens with conclave. I mean everything I know I learned from Dan Brown.

(LAUGHTER, CROSSTALK) STEPHANOPOULOS: One of the things Paul as you go, it is fascinating now, for the first time you're actually hearing some American names being talked about as pope. Cardinal Timothy Dolan, here in New York, Sean O'Malley from Boston. But historically there has been a real reluctance to have an American because of the association with a Super Power.

GIGOT: Right. America's so strong, otherwise why have a pope, religious leader, also an American. Although Timothy Dolan is a great, great leader and very charismatic, those of us who know him would be thrilled, frankly, to see him as pope. But I think it's unlikely.

I think what would be most exciting, even to Catholics in the western world, is to go (inaudible) get a pope from the developing world, where the Church is growing.

ROBERTS: Where the Catholics are.

GIGOT: Asia. That's where it most exciting, one of the biggest growth opportunities for the Catholic Church is in China. Which persecutes the Church. And you have to have that next pope, in addition to that kind of pastoral role, you have to have somebody who can clean out that bureaucracy and they're going to have to open the windows.

(CROSS TALK)

ROBERTS: Well I'm not sure that's going to happen though. I think that -

DOWD: Well then it's a Church where you question whether or not it's imbued with the Holy Spirit. If they don't think they have to keep the doors shut and everything in the dark?

STEPHANOPOULOS: Cokie as you know, there are a lot of reports that the pope has turned over the dossier on all the corruption scandals inside the Vatican. That only the Cardinals are going to be able to see that. But it certainly sounds as if it is explosive information.

CARVILLE: Of course they have problems over there. How explosive it is, the answers probably vary. I would be surprised if it's anything else. I think what people want, they want a humble guy who can straighten out, you know, make the Vatican not a place of intrigue but a place that people can look up to.

And this guy from the Philippines? What about him?

STEPHANOPOULOS: He's a young man.

ROBERTS: The idea of the Vatican not being a place of intrigue is like saying a political party -

STEPHANOPOULOS: There was some feeling over there, talking to a lot of Cardinals, that the boldness of Pope Benedict's move, in resigning, in doing something that hadn't been done in 600 years, might inspire them to make a bold move as well.

ROBERTS: But they, but they differ on what that is of course. And of course they have a different, they have

different constituencies just as you were talking about in this country. There are different issues facing them. So in Africa, the AIDS crisis has been something that the Church has had to deal with enormously. In other parts of the world, in Europe it's the rise of Islam and the defection of young people. I mean all over the world there are different issues and so each one of these Cardinals comes in with a different set of criteria -

CARVILLE: The biggest problem with this, and they all know this. If they go the wrong way, they're going to become irrelevant. And that's the one thing that they can't take. And they have to change. They're still relevant but they need to be more relevant. They're using their authority, as all of those things that Matthew talked about, keep eroding. And for the Church to regain its authority, we need a pope that the world can look up to. Not just Catholics.

DOWD: This is a moment, I think in time, where if they basically said we're going to back to the Church as established on the Sermon on the Mount, if they went back to that, which is in dire need of where we are in the world, to basically go back to that, where they put what Christ did back then, they would be a Church that would be relevant.

STEPHANOPOULOS: Got to take one more quick break. We'll be back with more roundtable right after this.

(COMMERCIAL BREAK)

STEPHANOPOULOS: One more quick round on the roundtable on the stories that may have been overlooked this week or something to watch for in the next week. Let me start with Paul Gigot of the Wall Street Journal.

GIGOT: This week the Supreme Court rejected 5 to 4 a challenge from the left to the Foreign Wiretap Surveillance Program that the Obama administration has been pursuing. So you have five conservative justices agreeing with the Obama administration which is implementing the Bush policy. Goes to show you the degree to which the Obama and Bush Anti-Terror policies are actually much closer than advertised.

STEPHANOPOULOS: There has been a lot of continuity.

CARVILLE: I hate to say this, but I think the environmental impact study on the Keystone Pipeline by the State Department is an enormous story. It probably means that Keystone is going to be built and the environmental communities will be up in arms.

STEPHANOPOULOS: They basically said it's not going to have much of an impact on the climate.

CARVILLE: And I think that's a big story. And now I've got Bill McKibben coming to my class at Tulane I know he's not going to like that. But it's going to, I'm sure the study will be questioned, but you can't diminish it. Look if you're a Democrat and you believe in science, then if this is the science, that's the science.

STEPHANOPOULOS: The Keystone Pipeline is going to be approved.

CARVILLE: It seems more likely today than it did last week, I'll say that.

ROBERTS: Well of course I've been out of the country doing pope- speak so I'm at somewhat of a disadvantage. But one of the things I noticed when I got home last night was that General Michelle Johnson has been named head of the Air Force Academy. And she's a basketball player there and of course, a woman. And that I think is very, very important. Because we've had so many problems with women in the military. I mean for somebody to volunteer to serve our country and then be abused in our military is so shocking. And to have a woman be in

charge of training these young Air Force members, I think, is very important.

STEPHANOPOULOS: I think that's right. You're going to be going back for the Papal Conclave. Do you think there's a pope by Easter?

ROBERTS: Oh I do. I think that they very much want to have a pope by Palm Sunday which is March 24th. So the day to look for, March 19th, St. Joseph's Day. I just learned, as a Catholic of so many years, that St. Joseph's Day is right up there with Easter and Christmas as a feast day, you can eat meat, you can do anything you want during Lent, and it would be a day that we could rejoice more than most Lenten days.

STEPHANOPOULOS: We'll circle it on our calendars. Mia Love?

LOVE: In 2011 I remember looking back at my notes and seeing this poll that was done by Gallup where they asked Republicans and Democrats, how much of every dollar spent by federal government is waste? Republicans said 52 out of every dollar, Democrats said 47. Which told me at that time, an overwhelming amount of Americans thought there was a lot of waste. And I'm wondering what it looks like today. And like I said, I believe that the sequester is really, it's painted as a showdown between Republicans and Democrats, but I really think that it's going to shift between Washington and the American people. And I'd love to see, I'm looking for that swell of American people saying, you know what? Washington's not doing the job anymore. We are going to actually go in and take this country back.

STEPHANOPOULOS: You're going to see what people really think is important. I think you're right.

LOVE: Healing is going to be done on the ground level.

DOWD: I'm going to be a little philosophical and what I'm picking, it's poverty to me. But it's poverty of the heart and soul that I think is existing today. We have a country that celebrates the powerful, while we feel powerless. We have things that fill our lives but we don't feel fulfilled. We have more connections and we're less connected. And we have bigger homes but we're trying to find a home. And I think in the end, what matters about this pope and what matters is, how do we find our way to happiness when we have all this stuff going on.

STEPHANOPOULOS: We are going to end on that homily. Well said. Thank you all very much.

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